

**Virginia Resources Authority
Board Meeting
Minutes of the Regular Meeting
Held March 8, 2022**

The Board of Directors of the Virginia Resources Authority (VRA) met on Tuesday, March 8, 2022, in the O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

The following Board members were present and acting during the meeting: Mr. Thomas Hasty, Chairman, Ms. Cynthia Bailey, Ms. Mary Bunting, Mr. Vernon Carter for the Director of the Department of Aviation Mr. Greg Campbell, Mr. Cecil "Rhu" Harris, Mr. Brad Jones for State Treasurer Ms. Manju Ganeriwala, Mr. Bill Kittrell, Ms. Valerie Thomson for the Director of the Department of Environmental Quality Mr. Michael Rolband, Ms. Kelly Ward for Acting State Health Commissioner Dr. Colin Greene, and Dr. Charlette Woolridge. Ms. Barbara Donnellan was absent.

VRA staff participants included: Mr. Shawn B. Crumlish, Acting Executive Director, Ms. Kim Adams, Ms. Jean Bass, Mr. Peter D'Alema, Mr. Curtis Doughtie, Ms. Stephanie Jones, and Mr. Spencer Murray. Additional attendees were Mr. Arthur Anderson of McGuireWoods LLP, Ms. Megan Gilliland of Kaufman & Canoles, P.C., and Mr. Ty Wellford of Davenport & Company, LLC.

Call to Order

Chairman Hasty called the meeting to order at 9:00 a.m.

Chairman Hasty congratulated Ms. Donnellan for being reappointed to the Board and confirmed by the General Assembly. The Chairman congratulated Ms. Thomson and State Treasurer Ganeriwala for their upcoming retirements and thanked them for their service on the Board. Chairman Hasty also welcomed Mr. Carter to the Board as designee for the Director of the Department of Aviation.

Mr. Kittrell joined the meeting at 9:01 a.m.

Approval of Agenda

Chairman Hasty asked for a motion to approve the agenda. Dr. Woolridge made a motion, seconded by Ms. Bunting, to approve the agenda as presented. The motion carried.

Approval of Meeting Minutes

Chairman Hasty asked if there was a motion to approve the following meeting minutes in a block:

- Budget and Investment Committee Meeting held December 13, 2021
- Personnel Committee Meeting held December 13, 2021
- Compliance Committee Meeting held December 13, 2021

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- Portfolio Risk Management Committee Meeting held December 13, 2021
- Board of Directors Meeting held December 14, 2021

Dr. Woolridge made the motion to which Mr. Harris seconded. The motion to approve the minutes in a block carried.

Report of the Executive Director

Chairman Hasty called on the Acting Executive Director to give his report. Mr. Crumlish said he would mention new items of significance since distribution of the Board package. First, Mr. Crumlish shared that a new Virginia Transportation Infrastructure Bank loan was closed for which the project also received TIFIA [Transportation Infrastructure Finance and Innovation Act] funding.

Mr. Crumlish also announced that the assumption of the Natural Bridge State Park property and Clean Water Revolving Loan Fund loan would be recorded later that day. He said the necessary documentation had been delivered the day prior. Mr. Crumlish shared that Ms. Gilliland, bond counsel for the Clean Water Revolving Loan Fund, was present at the meeting if there were any questions. Mr. Crumlish referenced that there was a budget amendment included in the Senate's version of the budget for the fee simple acquisition of Natural Bridge State Park. If this remains in the adopted budget, he said, the acquisition would take some time and would not occur immediately on July 1.

Mr. Crumlish asked Ms. Jones, Director of Compliance and Policy, to share a legislative update. Ms. Jones shared that it was a busy Session, with many bills proposed regarding resiliency. This was, she said, largely because of the work done on completing the Virginia Coastal Resilience Master Plan the prior year. Ms. Jones said that resilience means different things to different people, but in the context of this Session it generally meant flood prevention and mitigation. She said that a pair of bills creating the Resilient Virginia Revolving Fund are still moving through the legislative process. These bills, Ms. Jones said, would create a new revolving fund to be co-managed by VRA and the Soil and Water Conservation Board to make loans to localities for resiliency projects. She continued by saying the revolving fund would lend to local governments for either their own projects or for the local governments to make loans and grants to individuals for resilience projects if the local government has established a funding program. Ms. Jones also shared the competing proposals by the House and Senate in their respective budgets for capitalization of the fund.

Ms. Jones mentioned that a pair of bills have passed the House and Senate that, among other things, establish the Coastal Resilience Master Plan Technical Advisory Committee with membership including VRA's Executive Director or designee. She mentioned that there were a pair of bills that were Governor's bills that would have created the Coastal Virginia Resiliency Authority. Ms. Jones noted that those bills were continued to 2023 because the General Assembly is trying to evaluate whether the state needs a new authority to coordinate the state's resiliency efforts and to obtain federal funding for resiliency projects. She mentioned the bills were modeled after Louisiana legislation. Finally, Ms. Jones said that Senate Bill 508 would replace the Department of Conservation and Recreation with the Soil and Water Conservation Board as co-manager of the Community Flood Preparedness Fund with VRA.

Report of Portfolio Risk Management Committee

Clean Water Revolving Loan Fund – County of Fairfax Loan Overview

Chairman Hasty, in Chair Donnellan's absence, called on Mr. Crumlish to introduce a staff presentation. Mr. Crumlish proceeded to highlight that the first item in the presentation regards a loan application by Fairfax County which requires Board approval. He said that Fairfax County applied to the Clean Water Revolving Loan Fund in both 2021 and 2022 for \$30 million in each year to fund a sediment control stormwater project. These applications, Mr. Crumlish stated, have been approved by the State Water Control Board. He then turned the presentation over to Ms. Adams, Senior Program Manager, who performed the credit analysis on the application.

Ms. Adams introduced Fairfax County's loan request by describing the loan application which was collectively for \$60.50 million to finance the dredging of Lake Accotink. She described the Special Fund Revenue loan security being offered, which includes an annual appropriation into a special fund pledged for debt service and secondly state-aid intercept. Ms. Adams mentioned that the County has an existing loan with this security type which was issued in the 2013C series of the Virginia Pooled Financing Program (VPFP). Under VRA's underwriting guidelines, she said, Board approval is required when a borrower would have greater than \$25 million in VRA debt under this loan security type. Ms. Adams reviewed the tax-supported debt guidelines, liquidity metrics, charts of financial performance with five-year review history, including state aid coverage. She concluded her remarks by stating that the County met all of the underwriting guidelines and thus made a recommendation that the loan request be approved. There were no questions from Board members.

Dr. Woolridge made a motion to approve the Fairfax County Clean Water Revolving Loan Fund request for \$60.50 million based on the County's strong financial profile and adherence to all Appropriation-Only Underwriting Guideline requirements. Ms. Bunting seconded. The motion carried.

VirginiaHELPS Program

Chairman Hasty called on Mr. D'Alema, Director of Program Management, to continue a presentation from staff. Mr. D'Alema explained the background of the creation of the VirginiaHELPS Program by the VRA Board in 2017. He explained that the program was created as a result of the financial crisis in the City of Petersburg as another avenue for financing when pooled financing would not be the right fit. Mr. D'Alema said VRA had never used the program before, but last year had the first strong candidate for the program. He further commented that Russell County had applied for VPFP funding, but did not know when it would finalize its PPEA [Public-Private Education Facilities & Infrastructure Act] contract and also had two new taxes, including a cigarette tax, that the County planned to be the source of loan repayment for which revenue generation had not yet been tested. Mr. D'Alema said that VirginiaHELPS was offered to Russell County as a financing option and Russell County agreed that it was a good fit for their borrowing objectives including financing calendar flexibility. In December, he said, the County was preparing to close and VRA staff worked with Mr. Anderson and Mr. Wellford to get the financing completed. Mr. D'Alema said the County achieved an all-in 2.1% 20-year fixed rate including VRA's administration fee. The amortization, he continued, was for 30 years with a 20-year

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fixed rate. Mr. D'Alema commented that there are all kinds of uses for this program if needed, including credit concerns, legal concerns, and if VRA needed to slow the use of its Commonwealth M.O. [Moral Obligation] debt capacity if VRA gets closer to its \$1.5 billion moral obligation-backed debt cap.

VPFP Updates

Mr. D'Alema continued his presentation by saying VRA is in the midst of the spring pool. There were, he said, 12 local government applications, including refundings, but that the interest rate environment and also looming Federal Reserve actions led many applicants to dual-track with direct bank placement requests for proposals. Mr. D'Alema said some of the borrowers will go with banks now to lock in the interest rates before the timing of the spring pool pricing. He said staff expects up to five local government applicants to move forward, with four for new money projects, namely the counties of Accomack, Goochland and York and the City of Winchester. Mr. D'Alema mentioned that Stafford County had applied for \$4 million to acquire land and design three different public safety buildings, but that they will move this borrowing to the summer pool. However, he said, Stafford is potentially interested in refunding certain prior VPFP debt for savings. With potential VPFP refundings, the spring pool transaction volume would increase from the \$50 million range to the \$150 million range. Mr. D'Alema noted the spring transactions have tended to be smaller than the summer and fall pools due to the timing of capital projects and the local government budget development process. He said none of the applicants in the spring pool required Board approval because all fall within VRA's underwriting guidelines.

Mr. D'Alema shared the financing calendar of the spring pool, including the schedule for rating agency calls. He also provided a portfolio snapshot after the 2021C issuance, which includes 342 loans and 135 unique local government borrowers.

Mr. D'Alema gave a brief update on the Greene County/ Rapidan Service Authority (RSA) conflict. He noted that the next court date as it relates to Greene County's breach of contract complaint is March 21. Mr. D'Alema also shared that in February RSA reinstated the controversial facility fee that initially caused the dispute between the two entities. He said that VRA had encouraged mediation from the onset.

Mr. D'Alema mentioned that there are several VPFP series that become currently callable in the summer and that there would likely be local refunding candidates in that issuance. He shared the financing calendar for the upcoming summer issuance.

VARF Updates

Lastly, Mr. D'Alema shared an update on the Virginia Airports Revolving Fund (VARF). He noted a closed loan to Roanoke Regional Airport Commission for \$3.5 million, which was the second recent loan closed to them. He also mentioned there is a pending loan in the VARF program to Chesapeake Airport Authority, which applied for \$4.5 million in financing.

Report of Compliance Committee

Chairman Hasty next called on Chair Bunting to introduce the Compliance Committee Report. Chair Bunting said the presentation today was on the Loan Monitoring and Compliance Database with the original metrics. She mentioned that over the year the Compliance Committee will evaluate the metrics to determine what metrics to use in the future. Chair Bunting asked the Board to reflect on the presentation and the materials to determine if there are specific questions for the Committee to examine. She asked Board members to notify Ms. Jones if there are any topics of interest for review. Chair Bunting then turned the presentation over to Ms. Jones.

Ms. Jones reviewed the portfolio by program and locality type, as well as highlighted borrower concentration and material obligors by program. She noted that this report concludes the aggregate review of fiscal year 2020 (FY20), as fiscal year 2021 audit reviews are currently underway. Ms. Jones mentioned that there has been increased difficulty in delivering timely audits with COVID-19 presenting additional challenges to doing so. However, she said VRA is working with borrowers to receive their financial statements and is performing review as audits are delivered. Ms. Jones commented on FY20 being the first year of the pandemic, including the first quarter of the pandemic when stay-at-home orders were the most restrictive. She noted that the review of the overall portfolio did not reflect a material impact from the pandemic. This, Ms. Jones stated, was partially reflective of the strong cash position many localities had at the beginning of the pandemic in contrast to what could have been the case if the economy was already in a recession. The Database did reflect the heightened unemployment numbers, she said, that were experienced as a result of the pandemic. Ms. Jones also noted that the sources of revenue most vulnerable to stay-at-home orders, including lodging and meals taxes, are not generally a large component of local government budgets. She referenced the last page in the Database Report book which has some narrative regarding the pandemic.

At the conclusion of Ms. Jones' formal presentation, Chair Bunting requested that Ms. Jones walk the Board through how a risk score is computed for the borrowers. Ms. Jones pointed the Board members to the first three numbered pages of the Database Report book which include the weighting and the thresholds used to score borrowers. She noted that a perfect score is a zero with points added for risk. Ms. Jones highlighted the "bump" in risk rating from a "red" to a "yellow" if the borrower has a strong level of state aid.

Mr. Harris asked Ms. Jones for perspective on the current inflationary environment and how that would impact localities. Ms. Jones responded that infrastructure costs are increasing due to inflation and supply chain issues such that the same capital projects will cost local governments more. Ms. Jones asked Mr. D'Alema and Mr. Crumlish what their perspective was from the credit side to which Mr. D'Alema replied that VRA would see this when evaluating new loan applications for new projects. Mr. D'Alema said that since VRA generally offers fixed rate financing that the inflationary pressures would apply to new projects but not the ongoing finance costs of previously issued VRA debt. Mr. Harris said he had thought similarly about the fixed rate debt issuances that VRA offers. Mr. Crumlish added that VRA receives local budgets which address the issue of inflation within. He asked the local government managers on the Board for their perspective. Chair Bunting replied that this period of inflation is better able to be managed because assessed values of real and personal property have been increasing so that the

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budgeting process can better offset increased commodities costs for things such as gasoline and be able to provide employee pay raises. This she mentioned was different than periods of a recession when localities either have to cut expenses or defer capital projects which, she said, always costs more in the long run.

Chairman Hasty made a final announcement that the meeting was Policy Advisor Ms. Bass' last meeting. He commended her for her dedication to VRA and noted how much of a fixture she has been at VRA since he has been on the Board. The Board and staff applauded Ms. Bass.

Old Business

Chairman Hasty asked if there was any old business to come before the Board. There was none.

New Business


Chairman Hasty asked if there was any new business to come before the Board. There was none.

Public Comment Period

Chairman Hasty asked if there were any comments from the public. There were none.

Adjournment

Chairman Hasty adjourned the meeting at 10:05 a.m.


Shawn B. Crumlish, Acting Executive Director
Board Secretary

APPROVED:


Mr. Thomas L. Hasty, III, Chairman of the Board